

City of Durham
FY 2015-16 Budget Development Guidelines (revised)
March 19th, 2015

INTRODUCTION

For FY2014-15, the two largest sources of revenue to support General Fund operations are local property taxes and local sales taxes representing 84% (\$142.9M) of the fund's budget. Local property taxes also fully support the Debt Service Fund which accounts for the City's General Fund debt service obligations. The property tax appropriation for the debt reserve fund is \$38.2 million for FY2014-15. Residential real estate and personal property taxes, sales tax and overall revenue are projected to grow for FY2015-16. The City Council directs the City Manager to develop a budget for FY2015-16 that limits increases to what is needed to accommodate population growth and cost factors, and clearly identifies funding requirements driven by State and/or federal mandates and the City's Strategic Plan. The budget may require additional reductions in or elimination of services based on service/program prioritization and directs that the City Manager begin to review and evaluate where the City should focus such adjustments consistent with the City Council's priorities.

The City must use a strategic approach to balancing the budget by assessing revenue enhancement opportunities and cost containment. The FY2015-16 Budget must determine the required investment to preserve priority programs and services and support the City's Strategic Plan.

To continue to meet priority service needs of Durham residents while recognizing the moderate economic return, the City Manager shall use the following **Budget Development Guidelines to prepare the FY2015-16 Proposed Budget.**

REVENUES

- **The tax rate for the general fund should not exceed 34.34 cents** (per \$100 assessed value), except as follows:
 - **a portion of the tax rate may be transferred from the debt service fund to the general fund to supplant the loss of privilege license or sales tax revenue** if the General Assembly does not provide a replacement revenue source.
 - **a tax increase up to 1 cent** (per \$100 assessed value) **will be considered to fund priority public safety needs supported by data and strategy.**
- **The tax rate for debt service and cash funded capital shall not exceed 14.02 cents** (per \$100 assessed value).

- The tax rate for the **Solid Waste Fund shall not exceed 5.89 cents** (per \$100 assessed value).
- Funding of the Downtown **Business Improvement District (BID)** will continue with a tax rate appropriation of **7 cents** (per \$100 assessed value) on the property within the boundaries of the BID.
- The tax rate for the dedicated **Housing Fund be 1 cent** (per \$100 assessed value) property tax.
- The tax rate dedication for **Parks and Recreation improvements shall not exceed ½ cent** (per \$100 assessed value).
- The **Transit Operating Fund** will continue with a tax rate appropriation of **3.87 cents** (per \$100 assessed value) property tax.
- General Fund **savings balance** will not be projected to fall **below 12%** at the end of **FY2015-16**. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- **Non-recurring funds** should not be directed toward recurring uses.
- **Fees adjustments** will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- Proposed **water and sewer rate** increases will not exceed an average of **3.0%**.
- **Stormwater rates will remain constant** for FY2015-16.

EXPENDITURES

To balance expenditures against forecasted revenue reductions, the City Manager shall continue to monitor performance data to guide focused discussions with City departments regarding **program and service** priorities, possible areas for elimination, reduction, reorganization, and/or alternative service delivery models that address the performance and efficiency of City programs.

- Program or service level reductions should be considered to balance the budget.
- Program and service level prioritization should be established within each department.
- Program and service reductions may result in elimination of authorized positions, reductions in force or employee furloughs within departments, as appropriate, based on service/demand.

- **City employees** are at the core of City services. **One objective under Goal 4 of the City's Strategic Plan is to “establish an exceptional, diverse, engaged and healthy workforce.”** Attracting and retaining a competent, high quality workforce is essential to being a high performing organization. Therefore, employee compensation adjustments shall continue as a priority. The following **pay and benefit** components will be considered:
 - Pay for Performance (P4P) pay plan for General employees (average increase from 3.0% to 3.5%)
 - Pay Plan for sworn Police and Fire employees (3.5% average)
 - Supplemental Retirement -401K – Increase from 4.5% to 5.0%
 - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees while maintaining the actuarial viability of the Medical & Dental Insurance Fund
- Priority will be given to those requests that support **strategic plan initiatives.**
- **Sidewalks** will be given the highest priority in the **Capital Improvement Plan (CIP).**
- Funding for **deferred maintenance** shall be increased by **\$100,000** from **\$500,000** for FY2014-15 to **\$600,000** for FY2015-16.
- The dedicated **street resurfacing fund** shall be increased by **\$1,000,000**, from **\$1,000,000** for FY2014-15 to **\$2,000,000** for FY2015-16.
- Expansion of **Public transit services** will be evaluated within the **3.87 cents** (per \$100 assessed value) tax allocation and the **½ cent sales tax allocation for transit.**
- **Fleet** funding will be not to exceed **\$3,000,000** for the General Fund.
- **New positions** will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.